



Pensions UK

Stewardship Fundamentals

Pensions UK Stewardship
and Voting Guidelines 2026

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The Pensions UK Voting Guidelines

Our Guidelines aim to support scheme investors, their asset managers and proxy voting agents in forming judgements on the resolutions presented at a company's AGM.

Our Guidelines are not intended to be prescriptive, as we understand that investors of all kinds will take different approaches. Instead, they aim to help investors understand under what circumstances and how they should effectively apply a voting sanction.

Investors should take the decision to vote against management only after consideration of any explanation provided by the company for non-compliance with the Corporate Governance Code, as well as the extent to which investors' expectations have not been met (or previously raised concerns not addressed). This should include consideration of particular circumstances and take place, ideally, after a meaningful engagement process (either individually or collaboratively) that gives sufficient time for the company to respond.

Under UK law,¹ the resolutions tabled at a company meeting usually cover the following areas:

- Annual report and accounts
- Approval of the remuneration policy
- Approval of the remuneration report
- Re-election of the Chair
- Re-election of Directors
- Appointment of the auditor and authorise remuneration of the auditor
- Related party transactions
- Approve final dividend
- Issuance of new shares
- Market purchase of shares
- Authorising political donations
- Articles.

Company Articles

Company boards should regularly review their Articles, consult with major shareholders on material amendments and make the Articles readily available for inspection. Any changes must be accompanied by a clear and reasonable articulation as to why they will not detract from shareholder value or materially reduce shareholder rights. If shareholder approval is sought for changes which are

¹ UK Parliament, 2006, Companies Act 2006, The Stationery Office
<<https://www.legislation.gov.uk/ukpga/2006/46/contents>>.

non-routine, then this should be presented as a distinct voting item and should not be bundled into a single resolution with other matters.

Shareholder resolutions

In addition, investors may table their own resolutions or support those tabled by others. When this happens, companies should provide a comprehensive outline of their position on the resolution and be available to engage with shareholders as necessary.

Shareholders should consider supporting proposals that will protect or further enhance shareholder rights and transparency, and which aim to improve corporate reputation and/or the long-term, sustainable success of the company.

How to use these Guidelines

The Guidelines are split into sections that mirror the five relevant UK Corporate Governance Code Sections. We have also added separate sections on climate change and sustainability, workforce, and capital allocation and structure. There is also a final section which encourages investors to ‘take a step back’ and assess the company holistically in line with Pensions UK’s Corporate Governance Policy.

Each section seeks to answer the following questions:

- What does good company behaviour look like?
- What are the relevant resolutions?
- How should investors consider voting (including appropriate resolutions for escalation)?

A key issue for schemes to consider on any issue is the level of disclosure. Without clear, sufficiently detailed and meaningful disclosures about a company’s board or its governance practices, it can be very difficult to arrive at an informed opinion about the quality of its compliance.

If investors are unhappy with the level of disclosure, they should very closely assess a company’s explanations of non-compliance with the 2018 UK Corporate Governance Code. They should also consider this in their overall assessment of how to vote at a company’s AGM.

Holding directors accountable

Pensions UK believes that one of the most effective ways of using a vote to effect change is through holding relevant directors individually accountable on core areas of concern.

However, investors continue to remain reluctant to do so. For instance, our analysis² shows that investors continue to express high levels of significant dissent on remuneration-related votes (i.e. the remuneration policy or report), and that this is only rarely accompanied by a vote against the remuneration committee chair or the chair of the board.

Schemes have a fiduciary duty to their beneficiaries to act in their best interests. An important part of this is exercising voting rights to send the clearest possible message to companies that repeatedly fail to respond to legitimate investor concerns.

We strongly encourage scheme investors to communicate their expectations to managers and advisers on how they expect their vote should be cast, including against individual directors.

Our Voting Guidelines focus on putting this stance on individual accountability into practice, offering guidance to investors as to who they should be holding accountable through their vote regarding major issues and under which circumstances.

² Pensions UK, 2019, 'PLSA AGM Voting Review', https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2019/AGM%20report%202019_FINAL.pdf

Policy framework for corporate governance and stewardship

What is corporate governance?

Corporate governance is about ensuring that appropriate structures and individuals are in place to enable effective, entrepreneurial and prudent management, in turn delivering sustainable business success. It is not a matter of box ticking or mechanistic compliance; in fact, a compliance mindset can undermine good corporate governance.

Pensions UK believes that the underlying principles of all good corporate governance are accountability, alignment, transparency and integrity.

Truly effective corporate governance is, in the UK context, reliant upon a company's willingness to engage with the spirit of the Corporate Governance Code,³ rather than simply about compliance with the Code's 'Principles'. In parallel, it is equally important that all institutional investors play their part and take their responsibilities seriously.

What is stewardship?

Pension schemes are entrusted by savers to protect and enhance the value of their retirement savings. This requires them to take an active role – either directly or through their asset managers and other advisers – to monitor, engage and (where necessary) intervene on matters which may affect the long-term value of investee companies.

Although the term 'stewardship' is often used interchangeably with environmental, social, and governance (ESG), the issues upon which schemes should act as good stewards encompass anything potentially financially material, from strategy, performance and treatment of 'traditional' financial risks to topics such as climate change, human rights or board and workforce diversity.

Stewardship must sit alongside the integration of long-term factors in investment decision-making. Where a pension scheme hires a fund manager, even the most active stewardship programme cannot substitute for poor investment decisions.

³ Financial Reporting Council, '2018, The UK Corporate Governance Code' Financial Reporting Council, https://media.frc.org.uk/documents/UK_Corporate_Governance_Code_2018.pdf

Corporate governance vs stewardship: Two sides of the same coin

A strong UK corporate governance regime relies significantly upon investors, including pension schemes, even if they do not directly engage with companies themselves. Schemes must recognise and assume their stewardship responsibilities as part of their fiduciary duty to members.

While our response⁴ to the FRC’s consultation on the UK Stewardship Code 2026 reflected several concerns, notably with the changing approach around the definition of stewardship, we do support the UK Stewardship Code 2026⁵ and the outcomes it seeks to achieve. It intends to introduce a streamlined, outcome-focused approach to reporting and reinforces the principle that companies with engaged shareholders perform better over the long term, benefiting pension scheme members’ savings. The revised Code now separates reporting into Policy & Context (every four years) and Activities & Outcomes (annually), reduces complexity, and introduces dedicated principles for proxy advisors and service providers to strengthen accountability across the investment chain.

We also continue to endorse the recommendations of the Taskforce on Pension Scheme Voting Implementation (TPSVI),⁶ which remain central to good practice:

- Trustees should set their own voting policy or acknowledge responsibility for the voting policies implemented on their behalf.
- Trustees should assess the efficiency of voting policy implementation.
- Where possible, trustees should express their voting preferences across all investment structures.
- Industry should promote a standardised vote disclosure template.

Building on these recommendations, Pensions UK, working closely with the industry through the FCA-convened Vote Reporting Group (VRG), has now delivered a new vote reporting template and accompanying technical guidance. This new template, developed collaboratively by industry, places the work of the VRG at the centre while retaining key elements of the original Pensions UK template. Notably, ensuring asset owners continue to receive the detailed information they need on most significant votes. The template aims to:

- Improve transparency and comparability of voting activity
- Reduce reporting costs for asset managers

⁴ Pensions UK, 2025, Consultation response: FRC UK Stewardship Code Consultation, <https://www.pensionsuk.org.uk/Policy-and-Research/Document-library/FRC-UK-Stewardship-Code-Consultation-PLSA-Consultation-response>

⁵ Financial Reporting Council, 2025, UK Stewardship Code 2026, <https://www.frc.org.uk/library/standards-codes-policy/stewardship/uk-stewardship-code/>

⁶ Department for Work and Pensions, 2021, Taskforce on Pension Scheme Voting Implementation: recommendations to government, regulators and industry’ Department for Work and Pensions, <<https://www.gov.uk/government/publications/taskforce-on-pension-scheme-voting-implementation-recommendations-to-government-regulators-and-industry>>.

- Enhance engagement and accountability between asset owners and managers.

The template⁷ is now hosted by Pensions UK. Throughout 2025, we have been focused on embedding the template across the industry with full operational rollout and industry uptake targeted for 2026. Detailed technical guidance has been published to support asset managers, proxy advisers, and asset owners in implementing the template effectively.

Finally, our joint report with the Investment Association (2022) on Investment Relationships for Sustainable Value Creation⁸ remains a blueprint for effective stewardship practices across the investment chain. These principles - combined with the updated Stewardship Code and the new vote reporting framework - form the foundation for long-term value creation and robust governance.

Regulatory and statutory building blocks of stewardship and corporate governance

We believe that shareholders have a responsibility to work to ensure good governance at the companies in which they invest, going beyond the latest trends or shifts in policy and regulatory thinking. However, developments in the policy environment can fundamentally alter the framework within which pension schemes and other investors exercise their stewardship responsibilities.

The following sections go through some of the most fundamental ‘building blocks’ of the legal, regulatory and policy frameworks for corporate behaviour and investor stewardship. It is vital that schemes – even if they outsource their stewardship and voting activities – have a good understanding of the parameters within which they operate. We would encourage all schemes and asset managers to consider becoming a signatory to the Financial Reporting Council (FRC) Stewardship Code.

A. The Companies Act 2006

A director’s duties, as set out in the Companies Act 2006,⁹ are the foundation of corporate governance. They include the duty to promote the success of the company, while having regard to:

- The likely consequences of any decision in the long-term
- The interests of its employees

⁷ Pensions UK, 2025, A new industry shareholder vote reporting template, <https://www.pensionsuk.org.uk/Policy-and-Research/Document-library/A-new-industry-shareholder-Vote-Reporting-Template>

⁸ Pensions UK & The Investment Association, 2022, Investment Relationships for Sustainable Value Creation: Alignment Between Asset Owners and Investment Managers, <https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2022/Investment-relationships-for-sustainable-value-creation-July-2022.pdf>

⁹ Companies Act 2006, 2006, The Stationery Office <<https://www.legislation.gov.uk/ukpga/2006/46/contents>>.

- Its need to foster the business relationships with customers and suppliers
- The impact of its operations on communities and the environment
- Its desire to maintain a reputation for high standards of business conduct.

As such, a proactive and effective board should provide the framework for discussing, managing and driving the long-term sustainability of the company by supporting the director in carrying out these statutory responsibilities.

B. The UK Corporate Governance Code 2018

The UK Corporate Governance Code establishes good practice (according to the principles set out in the Code) that board directors should apply to promote the purpose, values and future success of the company. In July 2018, the FRC published a significantly amended version of its UK Corporate Governance Code. The Code is structured into five Sections:

- Board Leadership and Company Purpose
- Division of Responsibilities
- Composition, Succession and Evaluation
- Audit, Risk and Internal Control
- Remuneration.

Following a consultation in 2023 with a focus on directors' responsibilities for internal control, risk, audit and corporate reporting, the FRC took forward a small number of these proposals¹⁰ and published its revision¹¹ to the Code on 22 January 2024.

The changes made have been limited with the focus on promoting smarter regulation and better governance through revisions to the Code in internal controls. The 'comply or explain' regime means companies do not have to adhere strictly to the rules if they can provide a rationale as to why. The new 2024 Code will apply to financial years beginning on or after 1 January 2025. Until then the 2018 Code will apply.

We believe that how well a company applies the Principles of the Code – and the quality of its explanations – must be used as a benchmark by investors in their scrutiny of firms' corporate governance approaches.

C. The UK Corporate Governance Code 2024

In May 2023, the Financial Reporting Council announced a limited revision of the Corporate Governance Code,¹² following the Government's response to the White

¹⁰ Richard Moriarty 'Statement: FRC policy update', Financial Reporting Council, 2023, <
<https://www.frc.org.uk/news-and-events/news/2023/11/statement-frc-policy-update/>

¹¹ Financial Reporting Council, 2024, UK Corporate Governance Code,
https://media.frc.org.uk/documents/UK_Corporate_Governance_Code_2024_FF6VFzi.pdf

¹² Financial Reporting Council, 2023, UK Corporate Governance Code: Consultation document,
https://media.frc.org.uk/documents/Corporate_Governance_Code_Consultation_document.pdf

Paper, *Restoring Trust in Audit and Corporate Governance*¹³ which identified areas of reform related to a particular focus on directors' responsibilities for internal control, risk, audit and corporate reporting.

Following feedback and engagement with industry, the FRC announced in November¹⁴ that it would be only taking forward a small number of the original 18 proposals set out in the consultation and to stop development of the remainder. At the time, the Government wrote to the FRC to update their remit and outlined that while their core responsibility is still to enhance public trust and confidence in the quality of audit, corporate reporting and governance, this should be done in a way that supports the UK's economic growth and international competitiveness.

On 22 January 2024, the FRC published its revision¹⁵ to the Code. The changes made have been limited with the focus on promoting smarter regulation and better governance through revisions to the Code in Internal Controls. The 'comply or explain' regime means companies do not have to adhere strictly to the rules if they can provide a rationale as to why.

As stated above, the new 2024 Code will apply to financial years beginning on or after 1 January 2025. Until then the 2018 Code will apply.

D. The UK 2020 Stewardship Code

The UK Stewardship Code¹⁶ is a voluntary 'comply or explain' initiative run by the Financial Reporting Council (FRC) to enhance the quality of engagement between investors and companies and improve long-term risk-adjusted returns. The definition of stewardship within the 2020 Code expected that creating long-term value for clients and beneficiaries would lead to sustainable benefits for the economy, the environment, and society. Key features included:

- Explicit reference to ESG factors
- Expansion beyond UK listed equities into other asset classes and global investments
- A shift towards outcome-focused reporting
- A new set of six Principles for service providers.

¹³ Department for Business, Energy & Industrial Strategy, 2022, Restoring trust in audit and corporate governance, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1079594/restoring-trust-in-audit-and-corporate-governance-govt-response.pdf

¹⁴ Richard Moriarty 'Statement: FRC policy update Financial Reporting Council, 2023, <https://www.frc.org.uk/news-and-events/news/2023/11/statement-frc-policy-update/>

¹⁵ Financial Reporting Council, 2024, UK Corporate Governance Code, https://media.frc.org.uk/documents/UK_Corporate_Governance_Code_2024_FF6VFzi.pdf

¹⁶ Financial Reporting Council, 2020, The UK Stewardship Code 2020, https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code_Dec-19-Final-Corrected.pdf

Transition arrangements for 2026:

To support a smooth transition to the updated UK Stewardship Code, 2026 will be treated as a transition year:

- All existing signatories submitting a renewal application will remain on the signatory list throughout this period.
- Organisations scheduled to report in the autumn cycle must still submit their stewardship reports by 31 October 2025, in line with the 2020 Code.
- New applicants in 2026 (those not listed as signatories in 2025) will undergo the full assessment process.
- Additional support will be provided through publications, webinars, and one-to-one engagement.

E. UK Stewardship Code 2026

The revised Code,¹⁷ published in June 2025, applies from 1 January 2026 and introduces a streamlined, flexible reporting framework designed to reduce complexity while maintaining high standards. Key changes include:

- Two-part reporting structure:
 - Policy & Context Disclosure (every four years – or sooner if there is a material change): organisational context, governance, and stewardship policies
 - Activities & Outcomes Report (annually): evidence of how Principles were applied and the outcomes achieved
- Greater flexibility in reporting format: signatories may report Principle-by-Principle or narratively, and combine or separate the two reports
- Stronger emphasis on outcome-focused reporting and accountability across the investment chain
- Dedicated Principles for service providers (investment consultants, proxy advisors, engagement providers)
- All reports must be approved by the governing body and signed by the chair, CEO, or CIO.

Application windows for 2026:

- Spring 2026:
 - Asset managers and service providers: by 30 April 2026
 - Asset owners: by 31 May 2026
- Autumn 2026: all applications by 31 October 2026.

¹⁷ FRC, 2025, The UK Stewardship Code 2026, https://media.frc.org.uk/documents/UK_Stewardship_Code_2026.pdf

The FRC has published guidance¹⁸ and a report, preparing for the UK Stewardship Code 2026: Applying insights from current reporting,¹⁹ to help signatories demonstrate clear, evidence-based, and outcome-focused stewardship reporting.

F. Other relevant changes in the pensions investment regulatory landscape

The last few years have brought about new responsibilities for pension schemes when communicating how they have undertaken their stewardship responsibilities, including for climate change risk investment.

Changes to occupational pension scheme investment regulations

- As of 1 October 2019, the 2018 changes²⁰ to the Occupational Pension Scheme Investment Regulations (2005)²¹ required pension schemes to set out in their Statement of Investment Principles (SIP) their policies on stewardship, including engagement and voting, and how they consider financially material ESG factors.
- 2020 brought the first implementation deadlines of the 2018 changes, which abide by the directive brought about by the European Union’s Shareholder Rights Directive II (SRD II). These require further detail on trustee stewardship policies to be added to pension scheme SIPs and the publication of annual implementation statements.
- While DC schemes are already required to publish information online, 2018 changes mean DB schemes also need to publicly disclose their policies – and what they are doing – on their stewardship, ESG and shareholder engagement activities.

Changes to climate-related regulations

- All schemes with assets under management (AUM) of more than £1 billion, plus all authorised master trusts, are required to produce an annual TCFD report, according to regulations set out by the Department for Work and Pensions (DWP).
- A review of extending the requirements to smaller schemes should have taken place in 2023. While it was delayed, it has now been announced alongside the Government’s proposals on transition plans and it will assess:
 - How effectively the TCFD regulations are working
 - Whether policy objectives have been met

¹⁸ FRC, 2025, UK Stewardship Code 2026 Guidance, <https://www.frc.org.uk/library/standards-codes-policy/stewardship/uk-stewardship-code-2026-guidance/>

¹⁹ FRC, 2025, Preparing for the UK Stewardship Code 2026 – applying insights from current reporting, https://media.frc.org.uk/documents/Preparing_for_the_UK_Stewardship_Code_2026.pdf

²⁰ The Stationary Office, 2018, The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, <https://www.legislation.gov.uk/uksi/2018/988/regulation/4>

²¹ The Stationary Office, 2005, The Occupational Pension Schemes (Investment) Regulations 2005, <https://www.legislation.gov.uk/uksi/2005/3378/contents/made>

- Any unintended consequences.
- We hope²² the announcement of the review, alongside the development of proposals around transition plans,²³ and UK Sustainability Reporting Standards (UK SRS)²⁴ will mean that a holistic review of climate-related reporting regulations occurs and leads to an updated reporting framework that delivers improved outcomes.
- It is still worth noting that all Local Government Pension Scheme (LGPS) funds will fall into the scope of new legislation to comply with TCFD reporting after a consultation was published in 2022. However, the date of implementation of the new rules has been delayed. LGPS pools fall within new FCA requirements that came into force in 2022.

FCA revised UK Listings Rules

- The new UK Listing Rules, published by the FCA in July 2024, represent the biggest changes to the UK listings regime in over three decades.
- While we, and many asset owners and managers, have been advocating for strong oversight, company directors and those with a vested interest in more UK listings, have been pushing for a dilution of standards. Throughout the consultation process on the new Listing Rules, the FCA have been navigating this dichotomy.
- In introducing the new rules, the FCA accepts that the approach involves allowing greater risk, but this approach has been taken as it is seen to better reflect the risk appetite that the UK economy needs to achieve growth.
- Key changes that will affect members are the removal of mandatory shareholder votes on significant and related party transaction and a more permissive approach to listing with dual-class share structures. Within the guidelines, we will talk in more detail around the impact these changes are likely to have.
- In 2025, we have seen a concerted shift in the industry to find ways to positively make the case that effective governance and robust shareholder rights is in fact complementary to growth.

²² Pensions UK, 2025, Consultation response – Transition plans requirements: implementation routes, <https://www.pensionsuk.org.uk/Portals/0/Documents/Policy-Documents/2025/Transition-plans-requirements-implementation-routes-Sep-2025.pdf>

²³ Department for Energy Security and Net Zero, 2025, Consultation: Climate-related transition plan requirements, <https://www.gov.uk/government/consultations/climate-related-transition-plan-requirements>

²⁴ Department for Business and Trade, 2025, Consultation – Exposure drafts: UK Sustainability Reporting Standards, <https://www.gov.uk/government/consultations/exposure-drafts-uk-sustainability-reporting-standards>

Pensions UK’s Corporate Governance Policy

Pensions UK’s Corporate Governance Policy sets out our understanding of some of the key structures and processes that are required to support and protect good corporate behaviour. Our policy builds on the regulatory and market context for both corporate governance and stewardship. It is firmly rooted both in the provisions of the Corporate Governance and Stewardship Codes as well as the underlying principles of accountability, alignment, transparency and integrity.

What does good corporate governance look like?

Investors should expect company boards to actively consider how the company’s strategy, governance, arrangements, performance and prospects lead to the creation of value in the short, medium and ultimately long term. Building a sustainable business model which works for the long-term must be central to the business strategy.

Effective corporate governance relies on a three-part structure: management runs the company day-to-day, the board provides oversight of management, and shareholders provide oversight of the board. Each leg of this triumvirate plays a distinct but complementary role in ensuring long-term value creation and accountability.

Investors must communicate their expectations clearly to companies of all sizes regarding what they consider to be good corporate governance practices. We believe investors should use the following as a benchmark for good corporate behaviour overall:

- The company adheres to the spirit of the UK Corporate Governance Code. Good corporate governance is all about achieving long-term sustainable business success, not mere compliance. However, it is important that any non-compliance is accompanied by explanations that are insightful, purposeful and specific to the company’s circumstances.
- Risk oversight and governance is considered holistically. Boards should set the cultural tone for the company and give full consideration to understanding and mitigating long-term risks to the company’s financial sustainability.
- There is prompt and effective corporate communication. This should cover all key corporate governance issues, including changes in board structures and responsibilities, remuneration policies, audit and efforts to monitor, assess and consider climate risk. Good communication greatly assists companies in developing good relationships with shareholders and avoids unnecessary surprises.
- There is no ‘boiler-plating,’ and company communications provide relevant, accurate data and insight. Investors expect clear and specific explanations

for non-compliance with the UK Corporate Governance Code provisions, including relevant insights and a convincing rationale for choosing to override the provisions of the Code. Equally, shareholders must be prepared to listen to and consider these explanations.

- Companies understand the importance of good engagement. As shareholders provide essential oversight of boards, complementing the board's oversight of management, effective two-way communication is critical. Companies should take care to ensure their messages are clearly understood by investors. Investors in turn need to be confident that their concerns are communicated to, and considered by, the board, enabling them to fulfil their governance role effectively.
- Perhaps the most important feature of good practice is transparency through the publication of adequate information, sharing material insights and providing a reasonable basis for assurance.

A holistic approach to stewardship

Effective stewardship is about much more than simply signing up to the latest collaborative initiative or casting a vote at an AGM. In fact, poorly considered and reactive stewardship practices can be counter-productive, leading to frustration for both companies and investors.

For schemes to be effective stewards of their assets, they must work with their advisers to proceed step-by-step along their stewardship journey. For most schemes, this will mean:

- Working through the scheme’s investment strategy, policy and objectives
- Developing and agreeing upon trustee investment beliefs
- Deciding the role both stewardship and the integration of ESG factors play within this framework
- Considering what constitutes an appropriate engagement strategy and plan
- Formulating an approach or policy for voting decisions
- Communicating expectations to service providers
- Monitoring and holding asset managers and others to account
- Assessing managers’ stewardship commitment
- Monitoring how votes are cast by fund managers in the interests of the scheme
- Measuring and reporting on stewardship outcomes by fund managers.

We created the checklists below to guide schemes through these steps. Readers should note that this section does not aim to be a complete and prescriptive guide to stewardship. Instead, we seek to highlight key issues for investor consideration and articulate which of the various aspects of voting and engagement trustees should consider as part of their broader stewardship approach.

Pensions UK stewardship checklist

To ensure an effective and meaningful stewardship strategy, scheme investors should consider the following policies, compiled using Pensions UK and The Investment Association’s 2022 recommendations.²⁵

²⁵ Pensions UK & The Investment Association, 2022, Investment Relationships for Sustainable Value Creation: Alignment Between Asset Owners and Investment Managers, <https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2022/Investment-relationships-for-sustainable-value-creation-July-2022.pdf>

Overall policy and approach

- Be clear about how stewardship fits within a company’s investment strategy, policy and investment objectives. This should include:
 - A clear and agreed upon understanding of the trustee board and the relevant organisations’ (e.g. the employers’) overall mission, purpose and objectives.
 - A defined set of agreed upon investment beliefs – including on ESG issues – at a level which ensures everyone is comfortable, but which is also sufficiently granular to meaningfully inform and guide the investment strategy and objectives.
 - A robust framework for deciding and monitoring a scheme’s investment policies – including on ESG issues – and the role which acting as an engaged steward of members’ assets plays in this. This can either be a standalone policy or fully integrated into a scheme’s investment policies.
 - A strategy for how stewardship fits into the manager selection process and ongoing relationship monitoring. This should include an assessment of culture and values, placing greater value on stewardship alignment in the selection process, an assessment of stewardship incorporation in the whole investment process and an assessment of asset managers capacity to meet evolving expectations.
- Work with advisers to consider the level of resources available for stewardship activities, which assets are covered and what an appropriate structure may be. Some schemes have the resources for an in-house stewardship team. Others need to outsource stewardship either to their existing asset manager or to a specialist stewardship ‘overlay’ provider. It should be noted that delegating stewardship activities does not absolve schemes of responsibility.
- Assess what stewardship arrangements are already in place and whether they remain fit for purpose. Schemes should not be afraid to challenge their existing service providers, including asking for practical examples of stewardship activities and outcomes.
- Decide what strategic issues – including ESG factors – are most material to the scheme. This decision is likely to be taken in consultation with both investment and legal advisers, as well as with employers, including any in-house sustainability or corporate social responsibility professionals. It could also include engagement with members to ascertain their views, although there should be clear communication that it is the trustees who retain the primary responsibility for investment decisions.
- Have a clear policy on what kind of stewardship tools will be employed. This could include individual investor engagement, exercise of voting rights,

collaborative engagement efforts or divestment. This should also include well-defined criteria for the escalation of engagement.

- Outline a clear plan regarding how investment managers will employ these tools. For instance, how they will vote on certain matters (where possible) and through what means (i.e. directly, delegated to their asset manager or through a specialist overlay service).
- A voting policy is a particularly helpful tool for schemes, enabling schemes to set out their views on a range of corporate governance, environmental and social issues so it can be used as a tool for discussion and communication with asset managers, companies and their consultants.
- Consider participating in public policy dialogues. Investor stewardship takes place within a policy and regulatory framework that is shaped by several forces. Where investors feel that the legislative framework does not sufficiently support them, they should seek to influence policy and regulatory initiatives. Those investors with fewer resources could consider joining their voice with others, for instance through membership bodies or targeted collaborative initiatives.

Holding service providers to account

- Seek to ensure that fund managers and other service providers deliver effective integration of their stewardship policy objectives as well as long-term ESG factors into their investment approach. Schemes should ensure that these approaches are fully consistent with their investment strategy, policy and objectives over the appropriate time horizon.
- Explicitly set out expectations for outsourced stewardship activities in legal documents. The most effective way of ensuring asset managers and other service providers are held to account on their stewardship work is to ensure expectations are clearly set out in legal documents such as the investment management agreement (IMA).
- Agree to a schedule for monitoring and reviewing outsourced stewardship activities. Working with advisers, scheme investors should consider how and when to scrutinise their asset managers' stewardship and engagement activities on their behalf. This should include during manager selection and RFPs (request for proposal), but an annual stewardship activity review would also be good practice.

Other

- Sign up to, or follow best practice guidance from, the FRC's Stewardship Code or other equivalent codes in other jurisdictions. Asset owner signatories to the Stewardship Code must demonstrate their commitment

to the Code’s spirit and communicate how they adhere to its principles to enhance and protect long-term value for scheme members.

- Agree to a policy and approach for the communication of stewardship activities to stakeholders. This should include communication with regulators and members. Disclosure is required in schemes’ SIPs and implementation statements and in TCFD reports where relevant. Schemes could also consider including this information in the annual DC chair’s statement or in a standalone stewardship or responsible investment report.

Collaborative engagement

Under the UK Stewardship Code 2026, the position on collaborative engagement is altered from what was previously stated in the 2020 code. It is now recognised as part of a broader engagement strategy rather than a standalone activity. The Code consolidates the previous Principles on engagement and collaborative engagement into a single Principle, emphasising flexibility and outcome-focused reporting. Signatories must now demonstrate how collaborative engagement contributed to tangible outcomes, not just list activities.

Collaborative engagement remains defined as working with other investors, or as part of a coalition of wider stakeholders, to achieve specific changes at an issuer or to address thematic issues, including systemic risks such as climate change, workforce practices, and governance failures.

In our consultation response, we welcomed the consolidation of Principles to reduce complexity and reporting burden. However, we raised concerns that:

- The revised definition of stewardship and the streamlined reporting process must not dilute expectations for meaningful escalation and collaboration
- Combining Principles risks underplaying the distinct role collaborative engagement plays in addressing systemic risks and resource constraints for smaller asset owners
- We urged the FRC to provide clear guidance and examples of what constitutes effective collaborative engagement outcomes to avoid boilerplate reporting.

We continue to advocate for a balanced approach that maintains accountability while recognising practical challenges for schemes with limited resources.

Collaborative engagement can take many forms, including informal discussions, joint letters, coordinated company meetings, or participation in formal initiatives with clear objectives and timelines. In markets where it is permitted under the relevant legal frameworks, effective collaborative engagement should:

- Have well-targeted, time-specific objectives linked to improving and protecting the value of scheme members’ savings

- Set out clear legal boundaries and delineation of responsibilities for participants
- Be used strategically to address systemic risks and promote long-term value creation.

Schemes should ask their advisers and asset managers what collaborative engagement activities they have undertaken, including objectives, impact, and outcomes. Collaborative relationships should be built on a long-term basis and evolve over time to remain effective.

Pensions UK engagement checklist

Stewardship is about more than just voting, also covering engagement. The FRC recognises this in its Stewardship Code, as does DWP in its 2018 changes to the Occupational Pension Schemes Investment Regulations 2005, which also broadened the definition of stewardship to include engagement. In fact, engagement is perhaps the primary means of effecting an investor's stewardship responsibilities. To ensure an effective engagement strategy that results in purposeful dialogue, investors should:

- Decide the key issues for engagement. This should include material (financially material or otherwise) ESG topics. Any decision should be taken in consultation with the employers, legal and investment advisers, as well as potential engagement with members.
- Agree how engagement will be used. This should include whether the scheme will engage directly with key companies on certain issues or whether such activity will be delegated to fund managers. It should also include an assessment of whether to engage with policymakers to raise awareness of an issue more generally or to alter the regulatory framework.
- Agree a process for deciding what 'success' looks like. This should include documented decisions on issues such as what level of change is being sought and over what timescale, and at what stage an investor should decide to escalate its engagement. Examples of escalation include issuing a public statement, filing a shareholder resolution or collaborating with other investors or campaign groups, if these are not already a part of the engagement process.
- Be open to engagement with companies on the full range of substantive matters. Investors should also be clear about their investment objectives when engaging with a company, so the chair and directors are better able to understand what is expected of them. They should also make it clear to a company on whom decisions on both investment and voting rest.
- Work to ensure companies genuinely feel that there is scope for explanations as well as compliance with the Corporate Governance Code

and other requirements. Where the views of boards and their shareholders differ on matters of corporate governance, constructive discussion should follow. However, schemes should ultimately be prepared to exercise their rights to do what they see as necessary to protect the interests of their beneficiaries.

Holding service providers to account

According to a Pensions UK and The Investment Association report on sustainable value creation, best practices should include:²⁶

- Take time to understand a service provider’s approach to engagement, including when the asset manager or provider decides to engage, how they apply voting sanctions and how the two fit together. This should cover the entirety of the investment process and the different asset classes in which they invest.
- Explicitly set out expectations for outsourced engagement activities in legal documents, such as the IMA or a ‘Governing Charter’.
- Agree to a schedule for monitoring and reviewing outsourced engagement activities, which should align with the performance review cycle, investment and stewardship objectives and key performance indicators (KPIs), while including quantitative and qualitative reporting.

Other

- Consider taking part in collaborative engagement initiatives, which can be a powerful way of effecting change at companies on issues of shared interest. Collaborative engagement is also one of the few ways in which shareholders and bondholders can come together across different investment houses on the same issues.

The role of voting in good stewardship

How an investor casts its vote at a company AGM can be a powerful statement of either satisfaction or dissatisfaction with the approach of company management on specific issues. An effective stewardship approach is likely to be one which is backed up, where necessary, by voting sanctions.

²⁶ Pensions UK & The Investment Association, 2022, Investment Relationships for Sustainable Value Creation: Alignment Between Asset Owners and Investment Managers, <https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2022/Investment-relationships-for-sustainable-value-creation-July-2022.pdf>

The annual general meeting

At an AGM, company directors ‘present’ their annual report to shareholders. Shareholders also get the opportunity to ask questions as well as to express their views on issues of concern such as executive remuneration, business strategy or climate risk.

The AGM is an important part of the dialogue between a company and all its shareholders and is the occasion at which the board is held accountable for its actions during the preceding year. Shareholders should therefore make every effort to register their votes after careful consideration of the resolutions on the agenda.

Attending and speaking at the AGM is an effective way of expressing views about the company, not least when concerted attempts at engagement have failed to achieve a satisfactory resolution. It is also a good opportunity to hear the views of other shareholders, including retail investors whose opinions are not otherwise widely heard.

Investors should expect boards to articulate clearly in their documents how they oversee and manage all material risks to their business model, approach and strategy. This helps investors form judgements on the management of these issues, informing their understanding of the effectiveness of the board oversight and guiding their approach to resolutions at the AGM.

Should an investor decide to vote against or abstain on a particular resolution, they should seek to explain to the company the reasons for doing so as early as possible.

Companies should publish AGM results as soon as possible after the meeting and should include in this a record of votes withheld. Where 20% of the votes on a particular resolution have not been registered in support of management (meaning both votes against and active abstentions) the board should acknowledge this within its Regulatory Information Service (RIS) statement and communicate as soon as reasonably possible how it intends to engage with shareholders to understand the reasons for this dissent.

The company should then explain within the following year’s annual report and accounts the steps it has taken, or will be taking, to resolve those concerns. While companies must avoid boilerplate explanations and provide thoughtful and justifiable explanations for any areas of non-compliance, shareholders also have a responsibility to:

- Evaluate explanations in an intelligent and non-mechanistic way for non-compliance by companies against the Stewardship Code
- Take account of a company’s individual circumstances
- Engage as appropriate, making sure that companies are aware of the reasoning behind a given vote on a contentious issue – often it is only

through engagement that an investor can dig down more deeply into an issue of concern

- Ensure that voting decisions are always made in the context of a company's overall governance arrangements and consider the progress made, given that governance is always dynamic.

Pensions UK investor voting checklist

There are several steps that investors can take to ensure they use their vote to wield maximum influence. These include to:

- Establish a clear process for voting. Working with advisers (and referring to the scheme's investment objectives, stewardship beliefs and engagement approach), investors should consider what issues will be considered when deciding how to cast their vote. Articulate an approach through formulating a voting policy on key issues, which should set out the approach to exercising voting rights. Consideration should also be given as to whether this should be published online, giving full access to the general public.
- Consider using the full set of voting powers to support the highest standards of governance. Powers which have historically been used more rarely include the approval of the annual report and accounts, the appointment or reappointment of auditors, attending and speaking at AGMs and tabling shareholder resolutions.
- Maintain consistency between engagement and voting. Investors should ensure their voting decisions align with the positions communicated during engagement activities. Companies should receive clear, consistent signals supporting management when engagement has been constructive and concerns addressed or voting against when responses have been inadequate. This consistency enhances credibility and influence with portfolio companies.
- Be prepared to escalate when necessary. Investors should be ready to escalate – including holding individual directors responsible – in instances where it is clear that a given company is repeatedly failing to respond meaningfully to investors' concerns on a specific issue. However, investors should always balance the 'signalling' effect of a voting sanction against the potential for it to exacerbate the situation which they seek to remedy.

Holding your service providers to account

- Set clear expectations with asset managers on how you want your vote to be considered and cast in pooled funds. A manager's approach should be a key issue when selecting a manager or deciding whether to invest in collective investment vehicles or nominee accounts (pooled funds).

Schemes should be asking their manager to explain their approach to voting and what input is gathered from schemes to cast a particular vote.

- If an asset manager does not allow for split voting in their fund, schemes should ask to see the asset manager’s voting policies across the scheme’s key financial considerations and their investment beliefs and objectives. If possible, this information should be provided on a fund level as opposed to the manager-wide level.
- Schemes should also ask fund managers to evidence how the relevant ESG criteria have been applied in voting decisions.
- Outline expectations regarding securities lending, including appropriate expectations and processes outlined in legal documents for asset managers, custodians and other service providers.

Other

- Consider how you communicate your voting activities in required disclosures. This includes within your SIP and implementation statement. Scheme investors should work with their advisers and asset managers to ensure that they have a clear and consistent view of what is meant by a 'significant' vote, making use of Pensions UK’s new vote reporting template where necessary. Schemes should also consider the potential benefits of publishing – and making publicly available – their voting policy.

Securities lending

Securities lending refers to the temporary transfer of securities from a lender to a borrower, often to generate incremental returns. While this can provide benefits to schemes, it also results in a temporary transfer of ownership, and voting rights, to the borrower.

Principle 12 of the 2020 UK Stewardship Code stated that signatories must “actively exercise their rights and responsibilities” when it comes to securities lending. Under the UK Stewardship Code 2026, the expectation that signatories actively exercise their rights and responsibilities remains but is now embedded within a broader principle on stewardship rights. Signatories must demonstrate how their securities lending policies support effective stewardship outcomes, including voting on significant issues.

Scheme investors should:

- Set clear expectations in legal documents (e.g. IMAs) regarding when and how stock will be recalled ahead of key votes, rights issues, or corporate actions
- Ensure custodians and asset managers have transparent policies on suspending lending where necessary to protect voting rights

- Disclose how decisions on securities lending balance stewardship objectives with financial returns, and report outcomes (e.g. instances of recall for significant votes).

Pensions UK supports initiatives such as the Principles for Sustainable Securities Lending (PSSL) and the development of an Asset Owner Council to promote transparency and accountability in securities lending practices.

Voting in pooled funds

Schemes in the UK have historically been more accustomed to segregated arrangements than their counterparts elsewhere in Europe. However, with a shift towards greater diversification and complexity of investments, pooled vehicles have grown in popularity among schemes of all sizes.

While pooled arrangements can offer access to greater diversification and often (but not always) bring benefits in terms of lower costs, they raise important questions about the level of influence a scheme has over how its voting policy and preferences are exercised.

Schemes should:

- Obtain full details of the manager's voting policy (if not publicly available) and request case studies showing how the manager has exercised influence through voting
- Make expectations clear to managers, including proactive engagement on issues that arise
- For managers who are Stewardship Code signatories, ask how they report in alignment with the Code's expectation that fund managers explain their approach to enabling clients to direct voting
- Request regular voting reports as part of the manager's responsible investment reporting (ideally at least half-yearly) and address any concerns promptly.

Pass-through voting is gaining traction as an innovative way for asset owners to exercise voting rights on shares held within pooled or index funds. Traditionally, voting in these structures has been delegated entirely to the asset manager, which can create a disconnect between a scheme's stewardship policy and the votes cast on its behalf. Pass-through voting seeks to bridge this gap by enabling asset owners to direct votes on underlying holdings, often through technology platforms provided by large index fund managers.

For schemes, the appeal lies in its potential to enhance alignment with their own voting and engagement policies without requiring a wholesale shift in investment strategy. It can offer flexibility and, in some cases, a relatively low-resource route to greater accountability. Beyond alignment, pass-through voting can also help

schemes achieve consistency across their holdings, for example, where they have a mix of segregated mandates and pooled funds, it allows them to apply the same voting approach to both direct and indirect holdings of a company. In some cases, schemes may even choose to vote on specific issues rather than applying a wholesale policy, adding further nuance to their stewardship approach.

However, while the mechanism can strengthen stewardship, it is not without challenges.

- There are operational complexities with pass-through voting that require time and resource to assess and understand.
- Cost considerations.
- The need for robust governance processes mean that pass-through voting may not suit all schemes immediately.
- While we have identified that pass-through voting can enhance alignment, there is of course the risk of potential misalignment between voting policy and engagement policy. Pass-through voting does also remove voting as an escalation tool for manager.
- Finally, managers having less responsibility for voting not only places more onus back on asset owners but may also lead to less commitment to the manager's own voting policy.

Pensions UK encourages members to view pass-through voting as one of several implementation options rather than a universal solution. Schemes considering this approach should assess their readiness, including internal capacity and the compatibility of pass-through voting with their broader stewardship objectives. They should also engage with managers to understand the scope of available options and any limitations, such as partial coverage or restrictions on certain markets.

Looking ahead, pass-through voting is likely to become more widely available as platforms mature and regulatory interest in voting transparency grows. For now, schemes should focus on understanding its benefits and limitations and consider whether it could play a role in reinforcing their stewardship ambitions over time.

Using asset managers and advisers

Most schemes outsource their voting activities to asset managers or proxy voting agents. Many managers, in turn, rely on proxy service providers or other voting research services. This chain of intermediaries makes it critical for schemes to set clear expectations on stewardship, engagement, and voting, both at manager selection and in ongoing monitoring. Schemes should:

- Ensure managers undertake meaningful dialogue with companies and back up engagement with voting sanctions where necessary
- Set out their ‘expression of wish’ on how they expect managers to execute votes on their behalf
- Monitor for evidence of managers simply following proxy adviser recommendations without challenge and seek disclosure of voting decisions, including where votes diverge from proxy advice, with clear rationale.

To support better oversight, Pensions UK has worked extensively with the FCA and industry through the Vote Reporting Group (VRG) to develop a new, standardised vote reporting template. This template:

- Provides consistent, comprehensive reporting of voting activity across managers
- Reduces reporting costs for managers while improving clarity for asset owners
- Enhances engagement and accountability by enabling schemes to scrutinise voting decisions effectively.

Schemes should request that managers adopt the new template and accompanying technical guidance, which detail data expectations and interpretation. These resources are available on our website and are designed to help schemes align voting practices with their stewardship objectives. This is a priority for us and asset owners, but we recognise that managers will be under wider pressure, particularly to make changes to their stewardship reporting to align with the 2026 Stewardship Code.

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